GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1068
ANSWERED ON:24.11.2000
VALUATION OF GOODS
RAGHUNATH JHA

Will the Minister of FINANCE be pleased to state:

(a) Whether the CAG in their Report for the year ending March, 1999 on pages 44-46 pointed out incorrect valuation of goods cleared by the Central Excise authorities to sister units resulting in loss of revenue to the State in crores of rupee;

(b) if so, the reasons for not implementing the provisions of the Central Excise Act properly and to the detriment of the State;

(c) whether the Government enquired into the matter and indentified the officials responsible for causing loss to the State; and

(d) if so, the details thereof and the action taken against them ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (GINGEE N. RAMACHANDRAN)

(a) Yes, Sir.

(b), (c) & (d) Audit Para No. 8.3 of the CAG Report forthe period ending March, 1999 pointed out 6 cases where excisable goods were cleared to sister units on incorrect valuation, resulting in substantial loss of revenue to the Government. Central Excise duties on goods cleared outside factory of production had to be self-assessed by the manufacturer and paid before clearance to sister units. The value is to be determined by the assessses taking note of the cost prodcuction and resonable profit margin if value of comparable goods is not known. The duties so assessed and paid were accepted by the Department taking note of the declarations made by the assessees about the cost of production etc., in 5 cases. In the 6th case the assessments were still provisional. Audit during scrutiny of records of these assessees had pointed out certain elements of cose not having been considered for duty payment and alleged substantial loss. On investigations, the Department found that there was suppression of facts and misdeclaration by the assessees which had resulted in acceptance of duties already paid by the assessees. In all the cases, appropriate show cause notices were issued for recovery of the duty short levied and imposition of penalties under Central Excise Act.

In four cases, duties amounting to Rs. 4.79 Crores havealready been confirmed and Modvat credit of Rs. 1.29 crore has been ordered to be reversed and penalty of Rs. 3.90 Crore has been also imposed. Other cases are under adjudication.

Investigations do not show any lapse on the part of the jurisdictional excise officials requiring action against them, as in all these cases, the assessees had suppressed facts and wilfully misdeclared the assessable values for duty purposes.